

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION AND NOTICE OF KENTON COUNTY)	
WATER DISTRICT NO. 1: (A) TO ISSUE)	
REVENUE BONDS IN THE APPROXIMATE PRINCIPAL)	
AMOUNT OF \$16,160,000 (A PORTION FOR)	
REFUNDING OF BOND ANTICIPATION NOTES);)	
(B) TO CONSTRUCT ADDITIONAL PLANT)	CASE NO. 91-046
FACILITIES OF APPROXIMATELY \$8,317,000;)	
(C) NOTICE OF ADJUSTMENT OF RATES)	
EFFECTIVE MAY 1, 1991; AND, (D) APPROVAL,)	
IF NECESSARY, OF CONTINUING MISCELLANEOUS)	
LONG-TERM INDEBTEDNESS)	

O R D E R

IT IS ORDERED that Kenton County Water District No. 1 ("Kenton District") shall file the original and 10 copies of the following information with the Commission by July 8, 1991, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 11. Describe how Kenton District intends to use restricted interest income.

2. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 18.

a. List the year each water storage tank was last painted and the year each storage tank is expected to be painted again.

b. Provide invoices for any painting or maintenance service performed on Kenton District's water storage tanks during 1990.

c. Identify who prepared the estimate of Kenton District's painting expense.

d. State who (Kenton District employees or independent contractors) will perform the painting.

3. Refer to Exhibit L (Corrected), Schedule 4, Item 6 of Kenton District's Application.

a. List by category and amount the expenses incurred at the Taylor Mill Treatment Plant sludge handling facility during 1990.

b. Provide support for the assumption that sludge handling expense is directly proportional to gallons of water produced.

4. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 21.

a. Describe each job position which will be created at Kenton District's sludge dewatering facilities.

b. Explain the basis of an hourly salary of \$15.50.

c. Explain the basis for assuming that maintenance costs will equal 2 percent of capital costs.

5. Refer to Exhibit L (Corrected), Schedule B, of Kenton District's Application and to Kenton District's Response to the Commission's Order of May 16, 1991, Item 25.

a. Explain why test year expenses excluded depreciation for projects completed before the end of the test year.

b. Assuming the depreciation expense of these projects was considered in the calculation of test year depreciation, provide a schedule listing each project's cost and 1990 depreciation expense.

6. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 32d. Provide a description of all projects which were reclassified as Plant in Service in December 1990. Each description should include the project name, project cost, and the amount of depreciation attributed to that project which is included in test year expenses.

7. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 36.

a. Provide all invoices related to the test-year payments of \$11,012.40 to M. R. Advisory.

b. Provide the contract between Kenton District and M. R. Advisory for consulting services.

c. State whether Kenton District will continue to use M. R. Advisory's services. If yes, explain the need for such services in light of the consulting engineering firm which Kenton District already retains.

8. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 37.

a. Describe each full time job position, including salary level, which was vacant at the end of 1989 but subsequently filled.

b. Describe each of the six job positions, including salary level, which were created in 1990. Explain why each position was created.

9. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 38.

a. Describe the services provided by Rankin, Rankin and Company. Include in this description the number of hours worked and hourly rate for each service provided.

b. For all rate case expenses, provide detailed information as it becomes available.

10. Provide a copy of the minutes of all meetings of the Kenton District Board of Commissioners held since January 1, 1990.

11. Refer to Exhibit L (Corrected), page 1 of Kenton District's Application.

a. Explain the basis for the assumption that Campbell County Kentucky Water District ("Campbell District") will purchase 14 percent of its total water requirements from Kenton District.

b. Provide all correspondence between Kenton District and Campbell District since January 1, 1990 in which Campbell District's purchase of Kenton District water was discussed.

c. List all conversations since January 1, 1990 between Campbell District and Kenton District officials in which

the Campbell District's water requirements for 1990 and following years are discussed. For each conversation, identify the officials involved, list the date of the conversation, and briefly summarize the conversation.

d. Provide all internal notes and memorandum in which Campbell District's water purchases for 1990 and following years were discussed.

12. Refer to Exhibit L (Corrected), page 2 of Kenton District's Application. Provide a copy of the quoted Ohio State Law Journal article.

13. Refer to Kenton District's Response to the Commission's Order of May 16, 1991.

a. Show the "interest rate scale spread" between the 20- to 30-year maturities.

b. Show how Kenton District could realize a \$9,380,000 reduction in interest expense by issuing 20-year bonds instead of 30-year bonds. Explain all assumptions used in these calculations.

c. State the net present value of any savings in interest expense achieved by issuing 20-year bonds instead of 30-year bonds. Show your calculations and explain all assumptions used.

14. Explain why the Taylor Mill Water Treatment Plant did not produce any water in September and October 1990.

15. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 45. Explain the basis for the method

used to apportion costs associated with Case No. 90-020¹ among the three water districts involved.

16. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 46.

a. Summarize the discussion which occurred at the October 1990 meeting.

b. Provide a copy of all notes, internal memoranda, and correspondence related to that meeting.

17. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 48.

a. State all assumptions used to derive transportation expense including travel time and distance traveled.

b. Explain how "Employee Benefits and Overhead Expense" was derived.

c. State whether the method used to derive "Employee Benefits and Overhead Expense" for Turn Off/On Delinquent Bills was also used for Returned Check Fees.

18. Refer to Exhibit C, page 30, and Exhibit L (Corrected), Schedule 1, of Kenton District's Application.

a. Explain the discrepancy in line loss stated in Exhibit C (12.8 percent) and Exhibit L (Corrected) (13.5 percent).

¹ Case No. 90-020, Investigation Into the Feasibility of Merging Kenton County Water District #1, Campbell County Kentucky Water District, and Boone County Water and Sewer District.

b. Explain why the line loss percentage stated in Exhibit C was not used in Kenton District's cost-of-service calculations.

c. Explain the discrepancy between water plant use stated in Exhibit L (Corrected) (159,000,000 gallons) and in Exhibit C (194,724,568) gallons.

d. Explain why the water plant use stated in Exhibit C was not used in Kenton District's cost-of-service calculations.

19. State whether Kenton District expects water production at the Fort Thomas Water Treatment Plant for 1991 to remain at 1990 levels. If no, state the expected change in water production levels.

20. List the expected increase in production costs associated with the increased water production at the Taylor Mill Treatment Plant.

21. State whether any expenses associated with the increase in water production at the Taylor Mill Water Treatment Plant, aside from sludge handling expense, have been considered in the cost-of-service calculations set forth in Exhibit L (Corrected). If not, explain why. If yes, list the type and amount of each expense.

22. Refer to Exhibit L (Corrected), Schedule 5, of Kenton District's Application.

a. State whether some portions of "Benefits" are directly related to or based upon salaries (e.g., pensions, occupation taxes paid).

b. Explain why no portion of "Benefits" is allocated to source of supply.

23. Refer to Kenton District's Response to the Commission's Order of May 16, 1991, Item 23. List which expenses were deleted from "Source of Supply" and added to "Transmission and Distribution" expense. For each expense, explain why this action was taken.

24. Refer to Exhibit L (Corrected), Schedule 2, of Kenton District's Application. Provide a breakdown of "Bills Not Included in Billing Analysis" in a format similar to Item 1 of Schedule 2.

25. Refer to Exhibit L (Corrected) of Kenton District's Application.

a. Explain why the cost-of-service study has made adjustments for the proposed increase in water production at the Taylor Mill Water Treatment Plant (e.g., increased sludge handling costs), but has failed to adjust all calculations to reflect increased production (e.g., percentage of WTP production based on 1990 operations, not proposed 1991 operations).

b. Refer to Schedule 19. Explain why the Fort Thomas facility's total production was increased to reflect proposed sales to Campbell District but the Taylor Mill facility's production was not increased to reflect planned increases in its production.

26. Refer to Exhibit L (Corrected), Schedule 7, of Kenton District's Application.

a. Explain why administration and general expenses were allocated to function before adjustment is made for expected additional purchases by Campbell District.

b. Explain why adjustment for expected additional purchases by Campbell District was not reflected in adjusted test period operations (Schedules 4, 5, and 6).

c. Explain why PSC Assessment was allocated to function according to salaries. State the relationship between salary level and PSC Assessment.

27. Refer to Kenton District's Response to Boone District's Information Request of June 5, 1991, Item 5. Identify the additional data needed to perform an average to peak flow analysis. Explain why this data was not obtained.

28. State whether Kenton District has access to the water usage records for the 1986-1990 period for the 59 customers of the city of Wilder who were not billed for service by Kenton District until it absorbed Wilder's distribution system. If yes, state the average annual usage for these customers for the 1986-1990 period.

29. List all Commission proceedings before the Commission in which Mr. Miller has presented cost-of-service studies to determine rates for water resale customers.

30. Refer to Exhibit L (Corrected), Schedule 9, of Kenton District's Application. Provide accountant's print-out of depreciation accounts.

31. Refer to Exhibit L (Corrected), Schedule 14, of Kenton District's Application.

a. State whether the equivalent meter and service ratio for 6-inch meter should be 79.5, not 79.6 (3,100 + 39).

b. State whether the equivalent meter and service ratio for 8-inch meters should be 118, not 117.4 (4,600 + 39).

32. State the level of revenue which Kenton District obtained from water hauling stations during the test year and the number of gallons sold. State the rate which Kenton District charges to water hauling customers.

33. State whether sales to the Cincinnati-Northern Kentucky International Airport are included in Exhibit L (Corrected), Schedule 2, of Kenton District's Application.

34. Provide a cost-of-service study which assumes that Campbell District's purchases will not exceed test period levels.

35. Refer to the purchased water contract between Kenton District and Boone District.

a. State whether any adjustment to Exhibit L (Corrected) is required to reflect Kenton District's practice of billing Boone District for an additional 14.3 percent of metered consumption. Explain why.

b. State whether any adjustment to Exhibit L (Corrected) is required to reflect the deletion of the Mineola/Cox Industrial Park from Kenton District's service area. Explain why.

Done at Frankfort, Kentucky, this 27th day of June, 1991.

ATTEST:


Executive Director

PUBLIC SERVICE COMMISSION


For the Commission